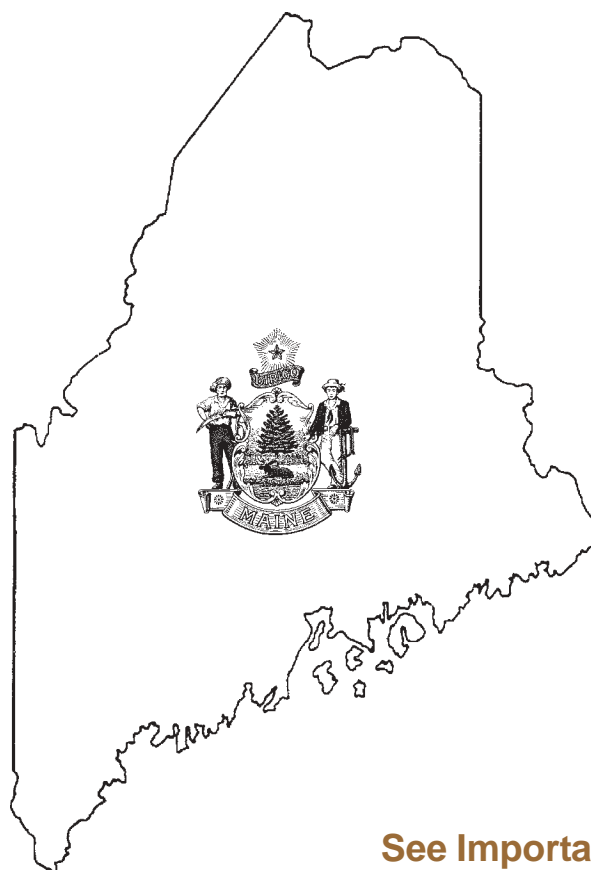


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2003 MAINE

CORPORATE INCOME TAX BOOKLET



INCLUDES FORMS:
1120A-ME
1120ME
CR (COMBINED REPORT)
1120X-ME
1120W-ME
1120ES-ME
1120EXT-ME

See Important Changes on pages 31 & 32.

QUESTIONS?

C-Corporation
S-Corporation, Partnership
Individual
Withholding Tax
Sales Tax
To order forms:

207-624-9670
207-626-8475
207-626-8475
207-626-8475
207-624-9693
207-624-7894

E-mail: corporate.tax@maine.gov
E-mail: partner-scorp.tax@maine.gov
E-mail: income.tax@maine.gov
E-mail: withholding.tax@maine.gov
E-mail: sales.tax@maine.gov

For general information and downloadable forms, visit our Web site:

www.maine.gov/revenue

Tax Fraud Hotline: 207-624-9600 Call this number or send an e-mail to compliance.tax@maine.gov to report possible tax violations including failure to file tax returns, failure to report all income and failure to register for tax filing.

MAINE REVENUE SERVICES PRIVACY POLICY

Maine Revenue Services (“MRS”) maintains the highest standards in handling personally identifiable taxpayer information. Taxpayers have the right to know what information is kept on file about them, to have reasonable access to it, and to receive a copy of their file. Under penalty of law, employees and agents of MRS are prohibited from willfully inspecting information contained on any tax return for any

purpose other than the conduct of official duties. In addition, MRS employees and agents are prohibited from disclosing tax information to anyone other than the taxpayer except in a limited number of very specific circumstances. No unassociated third parties may receive information pertaining to tax returns without written permission from the affected taxpayer except as allowed under 36 M.R.S.A. § 191.

Communications that do not meet the definition of tax information are subject to the general confidentiality and public inspection provisions of Maine’s “Freedom of Access” laws. When confidential taxpayer information is stored by MRS, it is kept in a secure location where it is accessible only to authorized employees and agents of MRS. If you have any questions regarding the Privacy Policy, please contact MRS at 1 (207) 626-8475.

CORPORATIONS REQUIRED TO FILE

CORPORATIONS SUBJECT TO INCOME

TAX: Every entity (including exempt organizations) must file Form 1120ME and pay the applicable Maine corporate income tax if it meets the following criteria:

1. The entity is subject to federal income tax as a corporation; and
2. The entity realizes Maine net income.

Maine Net Income. Maine net income is the taxpayer’s federal taxable income modified by Maine law and apportionable to Maine. A taxpayer is subject to tax if the taxpayer conducts business in Maine or owns or uses property in Maine in a corporate capacity.

NEXUS: Nexus is having sufficient connection with a jurisdiction to subject the corporation to taxation. Nexus is generally created by physical presence or by conducting business within the taxing jurisdiction. *See generally MRS Rule 808, Corporate Income Tax Nexus.*

Conducting Business in Maine. Without limitation, a corporation conducts business in Maine if it engages in any of the following activities in this state:

1. Maintains an office or other place of business;
2. Executes a contract;
3. Exercises or enforces contract rights;
4. Buys, sells, or procures services or property; or
5. Employs labor.

Owning or Using Property. Without limitation, a corporation owns or uses property in Maine if it:

1. Owns property that is held by another person in this state under a lease, consignment, or other arrangement;
2. Uses in this state property that it holds under a lease, license or other arrangement; or
3. Maintains a stock of goods in this state.

Exception for Certain Activities under U.S. Public Law 86-272. A foreign corporation that does business in Maine or owns or uses property in Maine is not subject to Maine income tax if its only activities in Maine are those set forth as exempt in U.S. P.L. 86-272 (15 U.S.C §§ 381-384).

a. Solicitation Activities. P.L. 86-272 precludes Maine from imposing a tax on the income

of a foreign corporation if the sole activity of the corporation in this State is the solicitation by the corporation’s representatives (in the name of the corporation or in the name of a prospective customer) of orders for the sale of tangible personal property, provided that the orders are sent outside of the State of Maine for approval or rejection, and provided that the orders are filled by shipment or delivery outside of Maine.

Limitations. P.L. 86-272 restricts a state’s tax jurisdiction with respect to sales solicitation activities only if the taxpayer’s activity is limited to solicitation of orders for the sale of **tangible personal property**. P.L. 86-272 does not afford protection in the following circumstances:

1. A **combination** of solicitation activities and non-solicitation activities in Maine;
2. The solicitation of orders for the sale or provision of **services**, either standing alone or in combination with the solicitation of orders for tangible property. Some examples of the combined sale of services and tangible personal property are photographic development and the provision of architectural or engineering services; and
3. The solicitation of orders for the sale, lease, rental, license, or other disposition of **real property** or **intangibles**.

b. De Minimis Activities. Non-solicitation business activities conducted by a corporation in Maine will not subject the corporation to taxation if the activities, taken together, are *de minimis*.

For additional information, see MRS Rule 808 at www.maine.gov/revenue.

CORPORATIONS NOT SUBJECT TO MAINE CORPORATE INCOME TAX:

The following corporations are not subject to Maine corporate income tax: S corporations (except those with federal taxable income at the corporate level); insurance companies that are subject to, or would be subject to, tax under 36 M.R.S.A. §§ 2512 - 2528 (insurance premium tax and fire investigation and prevention tax), except insurance companies that operate HMOs (*see* 36 M.R.S.A. §§ 5102(6) and 5202-C); and banking institutions that are subject to franchise tax (*see* b. below). Cor-

porate **small business investment companies**, licensed under the United States Small Business Investment Act of 1958 that are commercially domiciled in Maine and do business primarily in Maine are also not subject to this tax.

a. LIMITED LIABILITY COMPANIES. Maine law allows for the formation of limited liability companies. It provides that a domestic LLC or foreign LLC doing business in Maine is classified as a partnership for Maine income tax purposes, unless classified otherwise for federal income tax purposes, in which case the LLC is classified in the same manner for Maine income tax as for federal income tax purposes.

b. BANKING INSTITUTIONS SUBJECT TO FRANCHISE TAX. Every corporation that is a financial institution, except a credit union, any service corporation or subsidiary as defined in 9-B M.R.S.A. § 131, and any financial institution holding company that is doing business in this state must file Form 1120B-ME and pay Maine franchise tax. This requirement also applies to any financial institution organized as an S corporation, partnership, or entity disregarded as separate from its owner. **Do not use Form 1120ME.** Form 1120B-ME is available at www.maine.gov/revenue.

FILING REQUIREMENTS FOR S CORPORATIONS AND PARTNERSHIPS:

S corporations and partnerships, except financial institutions, that have Maine-source income or that have resident shareholders or partners are required to file an information return consisting of Form 1065ME/1120S-ME, a copy of the federal return and federal Schedules K-1. If you are filing a return for an S corporation that is not subject to tax at the corporate level, do not file Form 1120ME.

Shareholders and partners are subject to Maine income tax. Those who are nonresident individuals and who have no other Maine-source income may satisfy the filing requirement with a composite return. In that event, the entity must file a return on behalf of its nonresident shareholders or partners using Form 1040ME labeled “composite return.” For additional information, *see MRS Rule 805* and instructions on the MRS Web site.

S corporations that incur federal taxable income (e.g. certain capital gains and certain built-in gains) at the corporate level are required to file Form 1120ME and report only the income that is taxed at the corporate level for federal purposes on Form 1120ME.

UNITARY BUSINESS COMBINED REPORTING

WHO MUST FILE A COMBINED REPORT (FORM CR)?

Taxable corporations that are members of an affiliated group engaged in a multi-corporate unitary business must file a combined report based on the federal taxable income of the unitary business. **See MRS Rule 810.** Corporations that are part of a unitary business but are not required to file a federal income tax return are to be excluded from the combined report.

The combined report must indicate which corporate members have nexus with Maine, and it must include, both in the aggregate and by corporation, the federal taxable income, allowable adjustments, state modifications provided by 36 M.R.S.A. § 5200-A, and sales, payroll, and property values in Maine and everywhere.

Maine defines **affiliated group** to mean a group of two or more corporations of which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations.

A **UNITARY BUSINESS** is one that is characterized by unity of ownership, functional integration, centralization of management, and economies of scale. The cumulative effect of these characteristics is analyzed to determine if affiliated businesses are unitary.

UNITY OF OWNERSHIP is generally demonstrated when 50% or more of the voting stock is owned directly or indirectly by a common owner or owners, either corporate or non-corporate, or by one or more of the member entities.

CENTRALIZED MANAGEMENT is indicated when directors, officers, and/or other management personnel jointly participate in management decisions that affect the respective companies. Centralized management still exists when day-to-day management responsibilities are decentralized, as long as the overall strategy of the whole group is affected centrally. Other indicators of centralized management include managing to ensure that the business segments are operated for the benefit of the entire group and not just for their own individual interest, transferring knowledge and expertise among the segments, adhering to common standards of professionalism, profitability and/or ethical practices, and transferring or rotating officers or other management employees among the business segments.

FUNCTIONAL INTEGRATION refers to transfers between, or pooling among, business segments that significantly affect the business operations of

the segments. There is no specific type of functional integration that must be present. Facts suggesting the presence of functional integration should be analyzed for their cumulative effect and not in isolation. Functional integration can be illustrated by: common marketing; intercompany sales; exchanges or transfers of products, services or intangibles; common distribution systems; common purchasing; etc.

ECONOMIES OF SCALE exist when companies interact to achieve, or have the potential to achieve, a decrease in the cost of production or in the cost of administrative functions due to the increase in size of the interaction. Economies of scale may exist from the inherent cost savings that arise from the presence of functional integration or centralization of management.

A unitary determination is made by reviewing all the business activities of an affiliated group. A **flow of value** arising from these activities is indicative of multi-corporate unity. A unitary business questionnaire is available at www.maine.gov/revenue to help you determine whether your business operates in a unitary manner.

MAINE NET INCOME OF A UNITARY BUSINESS is determined by apportioning adjusted federal taxable income of those members of the unitary business that are subject to Maine taxation.

RETURNS: Corporate members of unitary businesses may file a single combined return or separate corporate returns. The single return must be filed in the name of the parent corporation if the parent is a member of the unitary business and has nexus with Maine. If there is no parent company or the parent company is not a member of the unitary business or does not have nexus with Maine, the unitary business must choose a Maine taxpayer member to file the return. Once selected, the filing member must remain the same in subsequent years unless changes in that member's ownership or nexus occur. Unitary members who have nexus with Maine may file separate returns with their income tax based on the combined report of the unitary business. A copy of the combined report must be attached to each of the separate returns. The apportionment factor of the unitary business is then used to compute the Maine net income of the individual member filing a separate return.

In order to compute the tax for the unitary business, preferential rates are applied only to the first \$250,000 of Maine net income of the whole group and must be apportioned equally among the taxable corporations unless another election by the unitary business is chosen. The balance of the Maine net income of the entire group must be taxed

at the highest marginal tax rate. A schedule showing the income assignment to each corporation and computation of the income tax must be submitted with each return. Any tax credits generated by a taxable corporation engaged in the unitary business must be applied against the Maine income tax liability of that corporation only, unless otherwise permitted by law.

DIFFERING YEAR-END DATES: Members of a unitary business with differing year-end dates must file using the filing member's taxable year to determine the Maine net income of the unitary business. If the precise amount of a unitary member's income can be readily determined from the books for the months involved in the filing member's taxable year, those actual amounts are to be used. In the absence of a precise determination, the income of a unitary member must be converted to conform to the taxable year of the filing member on the basis of the number of months falling within the applicable taxable year. For example, if the filing member operates on a calendar year and a unitary member includible in the combined report operates on a fiscal year ending on February 28th, it is necessary to assign 10/12 of that member's income from the current taxable year and 2/12 of the income from the preceding taxable year in order to arrive at a full twelve months' income to be included in the combined report (this method may be used only if the return can be timely filed after the member's taxable year ends). Alternatively, all of the income from the unitary member's taxable year ending during the taxable year of the filing member may be used. Whichever method for calculating Maine net income is used, that method must be used for all years that the unitary member must file. Once the combined taxable income of the unitary business is determined on the basis of the filing member's taxable year, the apportionment factor must be computed on the basis of the same taxable year.

For more information on unitary business and combined reporting, see MRS Rule 810.

GENERAL INSTRUCTIONS

1. DATE FOR FILING RETURN: Corporations reporting for the calendar year 2003 are required to file, with payment, on or before March 15, 2004. Fiscal year taxpayers are required to file, with payment, on or before the 15th day of the third month following the close of the taxable year.

2. EXTENSIONS FOR FILING: A State of Maine extension request form is not required. If you are unable to file your return by the original due date of the return, Maine allows an automatic seven-month extension of time to file. **CAUTION: AN EXTENSION TO FILE YOUR MAINE RETURN IS NOT AN EXTENSION FOR PAYMENT OF TAX.** If you owe money, you must pay at least 90% of that amount by the original due date for filing your return and the remaining 10% must be paid when the return is filed by the extended due date in order to avoid the failure-to-pay penalty. However, interest is charged on any tax paid after the original due date of your return.

Remit your estimated tax payment with the payment voucher (Form 1120EXT-ME, located in this book) by the original due date for filing your Maine return to: Maine Revenue Services, P.O. Box 9114, Augusta, ME 04332-9114.

3. PAYMENT OF CORPORATE INCOME TAX: All corporations subject to income taxes must make payments of estimated tax unless the liability for the current taxable year or for the prior tax year reduced by allowable credits is less than \$1,000. See instructions for Form 1120ES-ME for details.

4. INTEREST: Beginning January 1, 2004, interest at 6% per annum, compounded monthly, will be added to the balance of any tax due from the original due date to the date of payment and should be included with any payment.

5. PENALTIES:

a. Underpayment of estimated tax penalty. Beginning January 1, 2004, the penalty is 6% per annum, compounded monthly. The penalty rate for 2003 is 7%. The penalty will be assessed if the sum of quarterly estimated tax payments is not at least equal to the lesser of the previous year's Maine income tax liability or ninety percent (90%) of the tax liability for the current year. Exception: certain large corporations cannot use the previous year's liability in determining the required amount of estimated tax payments.

b. Late filing and late payment penalties. If a past due return is filed before the receipt, or within 30 days of the receipt, of a demand notice, the penalty for failure to file is the

greater of \$25 or 10% of the amount of tax due. If the return is filed more than 30 days after the receipt of a demand notice, the failure-to-file penalty increases to 100% of the tax otherwise due.

For failure to pay a tax liability, the penalty is 1% of the tax liability for each month the payment is delinquent, up to a maximum of 25%.

c. Other penalties. The law also provides for penalties for substantial understatement of tax, negligence, fraud, and for payment of tax by check that is returned for insufficient funds.

6. ACCOUNTING PERIOD COVERED BY RETURN: Your Maine return covers the same accounting period as your federal corporate return. If the taxable years of the members of a unitary business group differ, *see MRS Rule 810.05* and page 3 of this booklet, "Differing year-end dates."

7. ACCOUNTING METHODS: A taxpayer's accounting method for Maine income tax purposes must be the same as that used for federal income tax purposes.

8. ADDITIONAL FORMS TO ACCOMPANY STATE RETURN:

a. The Maine corporate return must be accompanied by a legible copy of the corporation's federal return, Form 1120, pages 1 through 4, for the same taxable period. If the corporation is a member of a **federal consolidation**, the federal return, Consolidated Form 1120, pages 1 through 4, must be provided.

b. Corporations subject to Maine corporate income tax that are members of an affiliated group as defined by Maine law, and operating in a unitary business, **must complete Form CR, along with an affiliation schedule.** Exempt organizations filing the Maine corporate return, Form 1120ME, must attach a legible copy of the corporation's federal return, Form 990T.

9. FEDERAL AUDIT CHANGES AND AMENDED RETURNS: Taxpayers must file Maine amended returns for any change or correction by the Internal Revenue Service in federal taxable income within 90 days after final determination of such change or correction. Attach a copy of the Internal Revenue Agent's report with all supporting schedules to your Maine amended return, Form 1120X-ME.

Taxpayers filing amended federal income tax returns must, within 90 days, file amended Maine income tax returns with copies of federal Form 1120X. When filing returns that reflect federal net operating losses, a copy of federal Form 1139 must be attached.

In addition, an amended Maine income tax return is required to correct errors on a previously

filed return. The amended return must be filed within 90 days of the discovery.

10. MAINE SALES AND USE TAX INFORMATION: Taxable items bought from out-of-state sellers that do not collect Maine sales tax are subject to a use tax. The use tax equals 5% of the purchase price where no sales tax has been paid. Use tax is also due on mail orders where there was no Maine sales tax collected. There is no use tax liability on purchases where sales tax has been **paid** to states with a sales tax rate equal to or greater than the Maine sales tax rate. Nor is there any use tax liability if the purchase would have been exempt if purchased in Maine. If you are registered for sales/use tax purposes and are receiving returns, report the purchases on the applicable "Taxable Purchases" line of that return. Call 207-624-9693 if you have questions about Maine Use Tax Law.

11. ELECTRONIC FUNDS TRANSFER: Corporate taxpayers may make payments electronically using the ACH Credit Method. This means that you can electronically transfer funds from your bank account to the State of Maine. Corporate taxpayers may also use Maine Revenue Services' telephone ACH electronic funds withdrawal (debit) payment system. Both of these ACH payment methods require applications to participate. Taxpayers with an annual corporate liability of \$400,000 or more are mandated by MRS Rule 102 to pay electronically. You will be notified if mandated.

To obtain an application, a copy of the rule, or to get more information, call 207-287-8276 or write: EFT Unit, Maine Revenue Services, 24 State House Station, Augusta, ME 04333-0024. The ACH applications and MRS Rule 102 can also be downloaded at www.maine.gov/revenue.

Penalty for failure to pay by electronic funds transfer. Any person required to pay by electronic funds transfer who fails to do so is liable for a penalty equal to the lesser of 5% of the tax due or \$5,000.

Penalty for insufficient funds. The penalty for insufficient funds also applies to electronic funds transfers. The penalty is \$20 or 1% of the payment amount, whichever is greater.

12. OVERPAYMENTS CREDITED TO FUTURE TAX YEARS: Effective January 1, 2001, Maine Revenue Services will offset tax overpayments designated to be carried forward in order to satisfy an existing debt with MRS or any other state agency.

SPECIFIC INSTRUCTIONS – 1120ME

Line A. FEDERAL CONSOLIDATED INCOME: If the federal filing was part of a federal consolidated return, enter the amount from federal Form 1120, line 30 here.

Line 1. FEDERAL TAXABLE INCOME: Enter federal taxable income from line 30 of federal Form 1120 or line 26 of federal Form 1120A, unless the corporation is an S corporation. For S corporations, the corporate level federal taxable income is entered. Corporations that are members of an affiliated unitary business group should refer to the “Combined Reporting Instructions” on page 3 and on pages 9-10. Real estate investment trusts (REITs) enter amount from federal Form 1120-REIT, line 22. A corporation that is an affiliate of a federal consolidated filing, but not a member of a unitary business group, must enter federal taxable income that is solely attributable to the corporation.

Line 2a. NONTAXABLE INTEREST: Enter interest on U.S. bonds, U.S. Treasury notes, or other obligations of the U.S. government which, by law, are exempt from state taxes, but taxable by the federal government. Also include interest from bonds issued by the State of Maine or Maine municipalities if taxed on the federal return. Taxpayers may subtract from federal taxable income interest income and capital gains from the sale of bonds issued by the Maine Waste Management Agency to the extent included in federal taxable income.

Line 2b. FOREIGN DIVIDEND GROSS-UP: Enter the amount from federal Form 1120, Schedule C, line 15.

Line 2c. WORK OPPORTUNITY CREDIT: Enter on this line an amount equal to your federal Work Opportunity Credit from federal Form 5884, line 4.

Line 2d. INCOME NOT TAXABLE UNDER THE CONSTITUTION OF MAINE OR THE U.S.: Enter income this state is prohibited from taxing under the constitution or laws of the United States or the constitution of the State of Maine, to the extent included in federal taxable income. The amount must not be otherwise deducted and must be decreased by any expenses incurred in the production of that income to the extent that these expenses are deductible in determining federal taxable income. **Attach a worksheet that details any amount claimed on this line.**

Line 2e. DIVIDENDS FROM AFFILIATED CORPORATIONS: Enter 50% of all apportionable dividends from affiliated corporations that are not included by the taxpayer in a Maine combined report. Dividends must be included in federal taxable income, line 1. In order to be affiliated, a corporation must be more than 50% owned. Although this may include domestic entities, most affiliated corporations not included in a combined report are foreign entities.

Line 2f. NET OPERATING LOSS DEDUCTION CARRYOVER: If you have a net oper-

ating loss for tax years beginning in 1989 through 1992, beginning or ending in 2001 or beginning in 2002, that was carried back for federal purposes, but added back to income under § 5200-A(1)(H) or § 5200-A(1)(M), you are allowed a deduction on this line equal to the amount of the income addition required for Maine income tax purposes. However, the deduction must be within the allowable NOL carryover period, cannot reduce Maine taxable income to less than zero and must not have been previously used as a modification.

Line 2g. INCOME FROM OWNERSHIP INTEREST IN FLOW-THROUGH ENTITY FINANCIAL INSTITUTIONS SUBJECT TO MAINE FRANCHISE TAX: Financial institutions are subject to Maine’s franchise tax, regardless of organizational structure. If federal taxable income includes income from ownership of a financial institution that is a flow-through entity (partnership, S corporation, entity disregarded as separate from its owner), enter the amount on this line. Attach federal Schedule K-1 reporting this amount.

Line 2h. STATE INCOME TAX REFUNDS: Enter the amount of state income tax refunds included in federal taxable income provided the amount has already been taxed by Maine. This modification may not reduce Maine net income to less than zero, and the amount refunded from this state or another state must not have been previously used as a modification. Any unused portion of the modification may be carried forward 20 years.

Line 2i. NORTHERN MAINE TRANSMISSION CORPORATION ADJUSTMENT: Beginning September 18, 1999, bonds, notes, other evidences of indebtedness; interest and profits from bonds, notes, other evidences of indebtedness; and any other income or money of the Northern Maine Transmission Corporation are exempt from state income tax.

Line 4a. INCOME TAXES IMPOSED BY MAINE OR ANY OTHER STATE: Maine does not permit a deduction for income taxes imposed by Maine or any other state. Add back income taxes taken as a deduction on federal Form 1120 or 1120A.

Line 4b. UNRELATED EXPENSES: If the corporation listed on this return is part of a federal consolidated group, but filing separately for Maine and is not a member of a unitary business group, any expenses incurred by the corporation on behalf of subsidiaries or other members of a group that are not included on this return must be added back. **Attach supporting schedules.**

Line 4c. INTEREST FROM STATE AND MUNICIPAL BONDS OTHER THAN MAINE: Corporations must, for Maine income tax purposes, increase federal taxable income by income from state and municipal bonds that originate outside Maine.

Line 4d. NET OPERATING LOSS RECOVERY ADJUSTMENT: Enter on this line an amount equal to any net operating loss carryover deduction claimed in this taxable year which has previously been used to offset Maine modifications to federal taxable income in accordance with 36 M.R.S.A. § 5200-A(1). See example below.

Line 4e. LOSS, EXPENSES, OR DEDUCTIONS FROM OWNERSHIP INTEREST IN FINANCIAL INSTITUTIONS SUBJECT TO MAINE FRANCHISE TAX: All financial institutions are subject to Maine’s franchise tax, regardless of the entity’s organizational structure. If federal taxable income includes a loss, expense, or deduction from ownership of a financial institution that is a passthrough entity (partnership, LLC, S corporation, entity disregarded as separate from its owner), enter the amount on this line. Attach federal Schedule K-1 to verify this amount.

The following example illustrates the NOL Carryback Adjustment:

Corresponding Line on Maine Return	Carryback Year 2002	NOL Year 2003	Carryforward Years 2004 2005	
Federal taxable income prior to NOL deduction	55,000	- 60,000	35,000	25,000
	<u>- 55,000</u>		<u>- 5,000</u>	
1. FTI after NOL deduction	0	- 60,000	30,000	25,000
2f. Deduction Modification 5200-A (2)(H)			<u>- 40,000</u>	<u>- 5,000</u>
Addition Modifications:				
4d. 5200-A (1)(H)	55,000			
4x. Other		<u>10,000</u>	<u>10,000</u>	<u>8,000</u>
6. Maine Taxable Income	55,000	-50,000	0	28,000

Of the original \$60,000 loss in 2003, \$55,000 is carried back for federal purposes, but disallowed for Maine purposes. The remaining \$5,000 is carried forward at the federal level and is included in 2004 FTI. For Maine purposes, the amount equal to the federal carryback is allowed as a subtraction modification to the extent that it does not reduce MTI below zero, is within the allowed federal carryover period and has not previously been used to offset Maine income. In this example, \$10,000 of the federal NOL was used to offset Maine addition modifications in the year of the loss, reducing the overall subtraction modification allowable in future years from \$55,000 to \$45,000. For additional information concerning the NOL recovery adjustment, see www.maine.gov/revenue.

SPECIFIC INSTRUCTIONS – 1120ME, continued

Line 4f. HIGH-TECHNOLOGY CREDIT ADD-BACK: Maine net income must be increased by the amount of investment credit base used for the high-technology credit also claimed as a business expense for federal income tax purposes.

Line 4g. BONUS DEPRECIATION/SECTION 179 EXPENSE ADD-BACK: For tax years beginning in 2003, federal taxable income must be increased by the net effect of the following amounts reflected in federal taxable income: 1) 30% bonus depreciation; 2) 50% bonus depreciation, and; 3) increase in section 179 expense due to the federal changes (deduction limit increase from \$25,000 to \$100,000; phase-out threshold increase from \$200,000 to \$400,000; and certain off-the-shelf computer software includable as eligible property) enacted in 2003. The amount of this modification is determined by first recalculating the depreciation deduction and section 179 expense on federal Form 4562 exclusive of all bonus depreciation and the section 179 expense increases listed above. Enter on line 4g the difference between this recalculated depreciation/section 179 expense and the original depreciation/section 179 expense claimed for federal income tax purposes. Enclose both the actual and pro forma versions of federal Form 4562 with the Maine return.

Line 6. MAINE NET INCOME: A corporation that is not part of an affiliated-unitary business group and has income solely from business activity within Maine must enter the amount from line 5 on line 6. A corporation having income from within and outside the state, must apportion income on Schedule A and enter on this line the amount shown on line 17 of Schedule A. All corporations that are members of a unitary business group must also complete Form CR. See combined reporting instructions on pages 3, 9 and 10 of this booklet.

Line 7a. MAINE CORPORATE INCOME TAX: For tax years beginning in 2003, the Maine corporate tax rates are as follows:

If Maine net income is:

Greater Than	But not over	The tax is:
\$ 0	\$ 25,000	3.5% of Maine net income
25,000	75,000	\$ 875 plus 7.93% of the excess over \$ 25,000
75,000	250,000	\$ 4,840 plus 8.33% of the excess over \$ 75,000
250,000	or more	\$19,418 plus 8.93% of the excess over \$250,000

In the case of an affiliated group of corporations engaged in a unitary business, the respective preferential rates are applied only to the first \$250,000 of Maine net income of the entire group and are divided equally among the taxable corporations unless those taxable corporations jointly elect a different assignment. The balance of Maine net income of the entire group is taxed at 8.93%. Attach a schedule to the return, showing income assignment to each corporation.

Line 7b. MINIMUM TAX: A minimum tax may be imposed, for each taxable year, upon every corporate taxpayer required to file a Maine corporate income tax return. Complete Schedule B to compute the amount to be entered on this line.

Lines 8a and b. CREDITS: Enter estimated tax payments and extension payments made for the tax year. If claiming real estate withholding payments on line 8a, you must attach Form REW-1. Include on this line any overpayment carried over from previous years and applied to this year.

Line 8c. OTHER CREDITS: Enter the amount from Schedule C, line 29o. The amount on this line cannot exceed the tax liability on line 7c of Form 1120ME.

Line 8d. INCOME TAX WITHHELD: Enter on line 8d only the amount of withholding credited to the corporation through the Maine pass-through entity withholding requirement. The amount claimed on this line must be substantiated by the attachment of a year-end Form 1099ME issued by the pass-through entity.

Line 9b. PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX: If the estimated tax was underpaid, complete and attach Form 2220ME to the corporate return. A copy of Form 2220ME is available at www.maine.gov/revenue.

Line 11a. AMOUNT OF LINE 10 YOU WISH CREDITED: Use this line only if you want to have all or part of the overpayment on line 10 applied as a payment to your next year's estimated Maine corporate income tax.

Line 11b. AMOUNT TO BE REFUNDED: Enter here the difference between lines 10 and 11a. Refunds of \$1.00 or more will be mailed to you.

IMPORTANT: IF ALL REQUIRED LINES AND SCHEDULES (INCLUDING FORM CR) ARE NOT COMPLETED, THE RETURN IS INCOMPLETE AND WILL NOT BE CONSIDERED A FILED RETURN. ALSO, PAGES 1 - 4 OF THE FEDERAL RETURN MUST BE ATTACHED TO YOUR MAINE CORPORATE RETURN.

SCHEDULE A INSTRUCTIONS

GENERAL INSTRUCTIONS

Schedule A is for corporations engaged in interstate business. Maine employs a three-factor formula to determine the percentage of corporate income that is apportioned to Maine. This percentage is derived from a fraction, the numerator of which is the property factor plus the payroll factor plus twice the sales factor, and the denominator of which is four (36 M.R.S.A. §§ 5210-5211 and MRS Rule 801). If the apportionment provisions do not fairly represent the extent of the taxpayer's business activity in Maine, the taxpayer may petition for, or the State Tax Assessor may require, in respect to all or any part of the taxpayer's business activity:

- Separate accounting;
- The exclusion of any one or more of the factors;
- The inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in Maine; or

- The employment of any other method to effectuate an equitable apportionment of the taxpayer's income.

"Tax period," referred to in the instructions for lines 12, 13 and 14, means the period represented by adjusted federal taxable income on line 5 of Form 1120ME.

"Sales" means all gross receipts including trade sales, dividends, interest, rents, and royalties. **See MRS Rule 801.08(B).**

Corporations that are members of a unitary business group, see additional instructions on pages 3, 9 and 10.

Corporations that have an ownership interest in a pass-through entity must include aggregate distributions from that entity in the apportionment formula.

If one factor is excludable from the apportionment formula, the weighting of the two remaining factors must be changed. A factor is excludable only if both the numerator and denominator are zero, but is not excludable merely because the numerator is zero. When excluding the sales factor, change the weight of the payroll and property factors to 50% (0.5) each. When excluding either the payroll or property factor, change the weight of the sales factor to 66.67% (0.6667) and the weight of the remaining factor to 33.33% (0.3333). If two factors are excludable from the apportionment formula, change the weight of the remaining factor to 100%. If you are excluding any factors, attach a schedule detailing the factors used and the apportionment computation. If the total of column C, lines 12, 13 and 14, does not equal the amount you enter on line 15, your tax liability will not be computed accurately.

See generally MRS Rule 801 for apportioning income.

INSTRUCTIONS FOR SCHEDULE A, continued

SPECIFIC INSTRUCTIONS

MUTUAL FUND SERVICE PROVIDERS may elect to apportion income to Maine using a sales-only formula. Check the box on Schedule A if you qualify and are making this election. The choice is irrevocable for five years. Taxpayers electing the special apportionment may not be included in Form CR.

Line 12. SALES FACTOR: The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in Maine during the tax period, and the denominator of which is the total sales of the taxpayer everywhere during the tax period.

Sales of tangible personal property are attributed to Maine if (1) the property is delivered or shipped to a purchaser, other than the United States Government, in Maine, regardless of the F.O.B. point or other conditions of the sale, or (2) the property is shipped from an office, store, warehouse, factory or other place of storage in Maine and the purchaser is the United States Government or the taxpayer is not taxed in the state of the purchaser.

Sales, other than sales of tangible personal property, are attributed to Maine if (1) the income-producing activity is performed in this state, or (2) the income-producing activity is performed both in and outside Maine and a greater proportion of the income-producing activity (based on costs of performance) is performed in this state than in any other state.

Line 13. PAYROLL FACTOR: The payroll factor is a fraction, the numerator of which is total compensation paid in Maine during the tax period by the taxpayer, and the denominator of which is total compensation paid everywhere during the tax period. "Compensation" means wages, salaries, commissions and any other form of remuneration to employees for personal services, including deferred compensation. Compensation is paid in Maine if (1) the individual's service is performed entirely within this state; (2) the individual's service is performed both within and outside Maine, but the service per-

formed outside the state is incidental to the individual's service within Maine; or (3) some of the service is performed in this state, the base of operations (or, if there is no base of operations, the place from where the service is directed or controlled) is not in any state in which some part of the service is performed, and the individual's residence is in Maine.

Payroll for leased and temporary employees. The payroll factor for the apportionment calculation must now include 85% of amounts paid to an employee-leasing company for leased employees and 100% of amounts paid for temporary employees. Employee-leasing companies and temporary services companies will exclude from the payroll factor compensation paid to leased or temporary employees who are providing personal services to client companies. However, amounts received from clients for leased or temporary employees must still be included in the sales factor calculation of the leasing or temporary services company.

"Leased employee" means an individual who performs services for a client company pursuant to a contract between the client company and an employee-leasing company.

"Temporary services" means employee services provided to client companies for a contractual period of less than 12 months.

Line 14. PROPERTY FACTOR: The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property (including inventory) owned or rented and used in Maine during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property (including inventory) owned or rented and used during the tax period. Property owned by the taxpayer is valued at original cost.

Property rented by the taxpayer is valued at eight times the net annual rental rate. The average value of the property is determined by averaging the values at the beginning and end of the tax period, but the State Tax Assessor may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property.

SCHEDULE B INSTRUCTIONS

See Schedule B for specific instructions for each line. Attach federal Form 4626. If the members of the Maine corporate return differ from the federal corporate return filing, complete and attach a pro forma federal Form 4626 for the entity or entities included in the Maine return. If entering an amount on line 21, attach a pro forma Form 4626 that includes Maine income modifications.

Line 21. The effect of the federal minimum tax on all applicable modifications to income pursuant to 36 M.R.S.A. § 5200-A must be added and/or subtracted here. Enter the net of the following: The portion of the federal tentative minimum tax attributable to income that state or federal law prohibits from taxation and the amount attributable to income that is subject to Maine income tax but not federal income tax. The amount you enter on line 21 may be either a positive or negative number. See instructions on pages 5-6 for lines 2 and 4 for details on income excluded from the Maine income tax (all negative income modifications) and income taxable by Maine but not by

federal (all positive income modifications). To compute the amount to enter on line 21, recalculate the federal tentative minimum tax prior to the federal alternative minimum tax foreign tax credit by increasing or decreasing (as the case may be) the federal alternative minimum taxable income by the net amount of allowable Maine income modifications. If the recalculated federal tentative minimum tax (prior to the alternative minimum tax foreign tax credit) is less than the federal tentative minimum tax (prior to the alternative minimum tax foreign tax credit) computed on the original federal minimum tax form, subtract the recalculated amount from the originally calculated amount. Enter the result as a negative number on line 21 and subtract the amount from line 19 when calculating line 22. However, if the recalculated amount is more than the originally calculated federal tentative minimum tax (prior to the alternative minimum tax foreign tax credit), subtract the originally calculated amount from the recalculated amount and enter the result as a positive number on line 21. Add the amount to line 19 when calculating line 22. For more information on Maine's corporate alternative minimum tax, visit www.maine.gov/revenue.

SCHEDULE C INSTRUCTIONS

Credit Claimed. For each credit, enter on this line the total amount of the available credit, calculated without regard to the limitations imposed by the entity's tax liability. An amount should be entered on this line only in the year the credit is initially calculated.

Amount Used. For each credit, enter on this line the amount of credit that is used this year.

29a. Maine Seed Capital Tax Credit*: Enter on this line the tax credit as authorized by the Finance Authority of Maine. A copy of the tax credit certificate must be attached to the return. The amount of credit is subject to limitations as outlined in 36 M.R.S.A. § 5216-B.

29b. Jobs and Investment Tax Credit*: A tax credit for qualifying jobs and investment is entered on this line. Eligibility for the credit requires the addition of \$5 million of IRC § 38 property based on the Internal Revenue Code of 1954, as of December 31, 1985, § 38(b)(1), and 100 new jobs attributable to that investment in the 24-month period following the date the property was placed in service. For further details see 36 M.R.S.A. § 5215. **Jobs created between August 1, 1998 and October 1, 2001 must be covered by qualified retirement and health insurance plans, and wages must be greater than the average per capita income in the labor market area in which the employee is employed.**

29c. Employer-Assisted Day Care Tax Credit* and Quality Child Care Investment Credit*: Line 29c is used for both credits. Combine the credits for purposes of the credit claimed and credit used.

Employer-Assisted Day Care Tax Credit*: A taxpayer constituting an employing unit is allowed a credit for providing day care for or paying day care expenses of employees, subject to the limitations of 36 M.R.S.A. § 5217. The tax credit is limited to the lowest of \$5,000, 20% of the cost incurred, or \$100 for each child of an employee of the taxpayer enrolled on a full-time basis. Carryover provisions apply. This credit is doubled if the day care provided constitutes quality child care. The Maine Department of Human Services ("DHS"), Office of Head Start and Child Care, certifies quality child care facilities. Attach a copy of the certificate when claiming the double credit for quality child care. For more information on quality child care services and the certification process, call DHS, Office of Head Start and Child Care, at 207-287-5099.

Quality Child Care Investment Credit*: Corporate taxpayers making certified investment in quality child care services qualify for a credit equal to 30% of up to \$30,000 of eligible expenditures. Carryover provisions apply. The Maine Department of Human Services, Office of Head Start and Child Care, must certify eligible investments. Attach a copy of the certificate when claiming this credit. 36 M.R.S.A. § 5219-Q. For more information on quality child care services and the certification process, call DHS, Office of Head Start and Child Care, at 207-287-5099.

29d. Employer-Provided Long-Term Care Benefits Credit*: For tax years beginning on or after January 1, 2002, employers are eligible for the

employer-provided long-term care credit if the policy on which premiums are paid is certified by the Maine Bureau of Insurance or the policy meets the federal definition of a qualified long-term care insurance contract under the Internal Revenue Code. Previously, only policies meeting the federal definition of a qualified long-term insurance contract qualified for the tax benefits. If the qualifying policy is one certified by the Bureau of Insurance, enter the policy number at line 29d. 36 M.R.S.A. § 5217-C.

29e. Machinery and Equipment Investment Tax Credit: Enter the amount of the credit carried forward to this tax year. Attach a schedule verifying the amount carried forward.

29f. Solid Waste Reduction Investment Tax Credit: Enter the amount of the credit carried forward to this tax year. Attach a schedule verifying the amount carried forward to this tax year.

29g. Research Expense Tax Credit*: The credit is 5% of qualified research expenses incurred during the taxable year that exceed the average qualified research expense for the previous 3 tax years, plus 7.5% of the basic research payments determined pursuant to IRC § 41(e)(1)(A). Only expenditures for research conducted in Maine qualify for the credit. The term "qualified research" is defined in IRC § 41(d). The credit is limited to the first \$25,000 of tax liability before credits plus 75% of the tax liability that exceeds \$25,000. Carryover provisions apply. 36 M.R.S.A. § 5219-K.

29h. Super Research and Development Credit*: Businesses whose Maine research expenses increase by more than 50% over the average research expenses incurred in the three years immediately preceding June 12, 1997 qualify for this credit. The credit is equal to the excess over 150% of the 3-year average. The credit is limited to 50% of the net income tax due after other credits and may not reduce the tax liability below the liability of the previous year after the allowance of all other credits. Carryover provisions apply. 36 M.R.S.A. § 5219-L.

29i. High-Technology Investment Tax Credit*: Businesses engaged primarily in high-tech activities are eligible for this credit. The credit is equal to the adjusted basis of eligible equipment on the date that equipment is placed in service in Maine, net of any lease payments received during the year. Lessors may claim the credit only if the lessee waives its entitlement to the credit. The credit may not reduce current year's tax liability below the liability of the previous year after the allowance of all other credits. The credit is limited to \$100,000 per year (\$200,000 in certain cases) and may not reduce the tax liability below zero. Carryover provisions apply. Maine net income must be increased by the amount of the investment credit base also claimed as a business expense for federal income tax purposes. Also, the 12-year reimbursement period under the Business Equipment Tax Reimbursement Program must be reduced one year for every year the qualified equipment was included in the investment credit base. 36 M.R.S.A. § 5219-M.

29j. Maine Minimum Tax Credit: Complete Schedule D on page 4 of Form 1120ME to calculate your credit. 36 M.R.S.A. § 5203-A(5).

29k. Credit for Dependent Health Benefits Paid*: Employers that offer a qualified health benefit plan and that employ fewer than five employees may qualify for this credit. The credit is equal to the lesser of 20% of the dependent health benefits paid by the employer or \$125 per employee with dependent health benefits coverage. A taxpayer that employs five or more employees after qualifying for the credit may continue to qualify for the credit for another two years. Otherwise, a taxpayer may claim a credit only for those periods during which the employer: 1) offers a qualified health benefit plan that is made available to all of its low-income employees; 2) pays at least 80% of the health insurance costs for each low-income employee under the plan, and; 3) pays at least 60% of the cost of dependent health insurance benefits for children under 19 who are dependents of a low-income employee under the plan. The credit is limited to 50% of the income tax due. Any unused credit may be carried over for two years. 36 M.R.S.A. § 5219-O.

29l. Clean Fuel Credit*: The credit is based on the expenditures paid or incurred for construction, installation of, or improvements to any filling station or charging station in Maine for the purpose of providing clean fuels to the general public for use in motor vehicles. Clean fuel is defined as any product or energy source, other than conventional gasoline, diesel or reformulated gasoline, that lowers emissions of certain pollutants. Clean fuel includes, but is not limited to, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hythane, dynamic flywheels, solar energy, alcohol fuels, and electricity. **The credit applies to expenditures incurred on or after January 1, 1999 and automatically expires January 1, 2006.** 36 M.R.S.A. § 5219-P.

29m. Historic Rehabilitation Credit*: A taxpayer is allowed a credit equal to the amount of the federal credit, including carryovers, for rehabilitation of certified historic structures located in Maine. The credit is nonrefundable and is limited to \$100,000 annually per taxpayer. The credit is subject to the same recapture provisions as under the Internal Revenue Code. The credit applies to tax years beginning on or after January 1, 2000. 36 M.R.S.A. § 5219-R.

29n. Family Development Account Credit*: Contributors to family development matching fund accounts are eligible for a credit. The credit per tax return is equal to the lesser of \$25,000 or 50% of the amount contributed. The credit is limited to the tax liability on the return and must be taken after the allowance of all other credits. The aggregate allowable credit amount in a state fiscal year is limited to \$200,000. The Finance Authority of Maine is required to certify the allowable credit for each contributor. Call 207-623-3263 for further information. The credit applies to tax years beginning on or after January 1, 2000. 36 M.R.S.A. § 5216-C.

(NOTE: The total of Schedule C credits cannot exceed the tax liability on line 7c of Form 1120ME.)

*** Complete and attach worksheets showing your calculations for the credits claimed. Credit worksheets are available at www.maine.gov/revenue.**

COMBINED REPORT (FORM CR) INSTRUCTIONS

The combined reporting form, when applicable, must be filed with Form 1120ME or Form 1120X-ME. This report **must** be accompanied by an affiliation schedule (federal Form 851 for consolidated filers is acceptable) listing name, federal ID number and corporate activity of all members of the affiliated group, both unitary and nonunitary members.

A. PURPOSE OF FORM:

NOTE: Only unitary business group members are to be included on this form. Affiliated non-unitary members are not to be included on Form CR.

Form CR is used to calculate the “taxable income under the laws of the United States” (36 M.R.S.A. § 5102(8)) of a unitary business. Taxable income under the laws of the United States of a unitary business is: (a) separate federal taxable income as defined under federal consolidated regulations for each member of a unitary business that is a member of a single federal consolidated filing; plus (b) separate federal taxable income as defined under federal consolidated regulations for members of a unitary business that are members of other federal consolidated filings; plus (c) federal

taxable income from the federal returns of the unitary members that are not members of a federal consolidated group; plus (d) adjustments for certain intercompany transactions between members of the unitary business.

B. COMBINED REPORTING:

Corporations with taxable income under the laws of the United States that are members of an affiliated group engaged in a unitary business must file a combined report. Corporations that are members of a unitary business but are not required to file a federal return must be excluded from the combined report. This includes those corporations not required, but electing, to file a federal tax return.

“Affiliated group” means a group of two or more corporations of which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations. 36 M.R.S.A. § 5102(1-B). A “unitary business” is a business activity that is characterized by unity of ownership, functional integration, centralization of management, and economies of scale. 36 M.R.S.A. § 5102(10-A). See page 3 for more information.

All corporations, including any foreign sales corporation (“FSC”), required to file federal returns that are part of a unitary business are required to be included in the combined report of any taxable corporation with Maine nexus, even if the affiliated corporation has no nexus with Maine.

See generally MRS Rule 810 for more information.

C. SPECIFIC COLUMN INSTRUCTIONS:

Column 1. Place a check mark in this column for those corporations listed in column 2 that have nexus with Maine (see explanation of nexus on page 2).

Column 2. Enter the name and federal identification number of each member of the unitary business. For an explanation of what constitutes a unitary business, see instructions on page 3. Indicate whether the corporation is an FSC, REIT or 936 corporation.

Column 3. Enter the separate federal taxable income under U. S. Treasury Regulation § 1.1502 of each member listed in column 2 that was part of a federal consolidated return (member’s share of Form 1120, line 28). This information can be obtained from the supporting statement filed with Form 1120 for consolidated returns. **Attach a copy of the supporting statement from the consolidated return.**

Column 4. Enter the federal taxable income of each corporation listed in column 2 that filed a separate federal return (Form 1120, line 28 or equivalent income from other federally filed return). Entries in column 4 relate to member corporations of the unitary business that were not included in a federal consolidated return.

Each corporation on this report should have an amount entered in either column 3 or column 4, but not both.

Column 5. Enter any adjustments for eliminations, deferrals and other modifications allowed under federal law and regulations not yet taken in column 3. Include any intercompany transactions between corporations listed on this report if those transactions resulted in gains or losses. For transactions between unitary business members not part of the same consolidated filing, enter adjustments allowed under MRS Rule 810.03(D). **Attach a worksheet that details adjustments claimed in column 5.**

Column 6. Combine columns 3, 4 and 5. This is the adjusted separate income of each member of the unitary business group.

Column 7. A. State modification subtractions. Enter the share of state subtraction modifications applicable to the unitary member on the corresponding line. If a single return is filed for the entire group, the total for all unitary members must agree with Form 1120ME, line 2j.

B. State modification additions. Enter the share of state addition modifications applicable to the unitary member on the corresponding line. If a single return is filed for the entire group, the total for all unitary members must agree with Form 1120ME, line 4h. Attach a supporting schedule.

Columns 8-10. Enter each corporation’s share of sales, payroll and property of the unitary business. The totals should be carried over from line 17 to Form 1120ME, Schedule A. If a single return is filed for the entire group, the amounts listed on the total lines of columns 8, 9 and 10 must agree with those entered on lines 12, 13 and 14, Columns (A) and (B) of Schedule A, Form 1120ME.

FORM CR INSTRUCTIONS, continued

LINE INSTRUCTIONS

Line 16. To the extent not already eliminated, remove all intercompany transactions. These eliminations are for page 2, columns 7-10 only. Attach a worksheet that details any adjustment claimed on this line.

Line 17. Enter the total for each of Columns 3 through 10.

Line 18. Enter allowable special deductions for the unitary business (from federal Form 1120, line 29b). These deductions must be aggregated and adjusted, if necessary, in a manner consistent with federal consolidated filing requirements.

Line 19. Enter the allowable NOL deductions for the unitary business. *See* MRS Rule 810.09 (allocation and uses of net operating losses).

Line 20. Enter the total from column 6 minus the deductions on lines 18 and 19. Enter on this line and on Form 1120ME, page 1, line 1. This is the taxable income under the laws of the United States of the unitary business.

Because Maine Revenue Services uses optical scanners to process Forms 1120ME and 1120X-ME, these forms cannot be altered in any way. Do not change line numbers or descriptions as these changes will not be detected when scanned.

Record-Keeping requirements

Keep a copy of your Maine income tax return, including worksheets, and supporting documents for the same period required for keeping your federal income tax records. This is generally 3 years from the date the return was filed, or the due date, whichever is later. You should keep some records longer. For example, keep property records as long as they are needed to calculate the basis of the original or replacement property. *See* 36 M.R.S.A. § 135.

INSTRUCTIONS FOR FORM 1120ES-ME

Estimated Tax Payment Voucher

1. WHO MUST PAY ESTIMATED TAX?

Every corporation subject to taxation under 36 M.R.S.A., Part 8 (Income Taxes) must pay estimated tax. If the income tax liability for the taxable year or for the prior tax year reduced by any allowable credits is less than \$1,000, the requirement is waived. *See* 36 M.R.S.A. § 5228(2).

2. AMOUNT OF ESTIMATED TAX TO BE PAID.

The estimated tax must be no less than the smaller of the following:

- a. An amount equal to the preceding year's tax liability, if that preceding year was a taxable year of 12 months; or
- b. An amount equal to 90% of the tax liability for the current taxable year. However, taxpayers cannot use the machinery and equipment investment tax credit in the determination of the estimated corporate income tax liability.

Exception: Large corporations as defined in IRC § 6655(g)(2)(A), are required to pay estimated taxes in accordance with paragraph b, except as provided in 36 M.R.S.A. § 5228(5)(C).

3. DUE DATES FOR ESTIMATED TAX INSTALLMENTS.

Installment payments are due on the 15th day of the 4th, 6th, 9th and 12th months following the beginning of the corporation's fiscal year. If the due date falls on a Saturday, Sunday or legal holiday, substitute the next succeeding day which is not a Saturday, Sunday or legal holiday.

4. AMOUNT OF INSTALLMENTS.

The amount of estimated tax due for the taxable year must be paid in four equal installments unless:

- a. The taxpayer establishes by adequate record the actual distribution of tax liability and allowable credits during the tax year; or
- b. The taxpayer is a large corporation as defined by IRC § 6655(g)(2)(A). Such large corporations may elect to determine the first required installment for any taxable year based on the preceding year's state income tax liability, if that preceding year was a taxable year of 12 months. However, if the corporation so elects, the second required installment for the taxable year must equal 90% of the corporation's income tax liability for the first half of the current year, less the amount of the first installment for the taxable year as determined under this provision.

5. UNDERPAYMENT PENALTY.

A penalty equal to the interest rate on overdue taxes accrues automatically on underpayments of the required installment amount for the period of underpayment. The period of underpayment is the period of time from the date the installment is due until the underpayment is satisfied or until the tax return to which the estimate installment applies is due, whichever occurs earlier.

6. SHORT TAXABLE YEAR.

For a corporation having a taxable year of less than 12 months, the estimated tax must be paid in full by the 15th day of the last month of the taxable year. If you are filing a tax return for a short taxable year, identify your next filing period in the space provided on the voucher.



MAINE CORPORATE INCOME TAX

ESTIMATED TAX WORKSHEET

MAINE REVENUE SERVICES

For Form 1120ES-ME

1. **MAINE NET INCOME** (check one) ☐ For immediate prior year ☐ Current year estimated 1. _____

2. **ESTIMATED MAINE CORPORATE INCOME TAX** 2. _____

For tax years beginning on or after January 1, 2004, the Maine corporate tax rate is as follows:

If Maine net income is:

The tax is:

Greater than

But not over

\$ 0

\$ 25,000

3.5% of Maine net income

\$ 25,000

\$ 75,000

\$ 875 plus 7.93% of excess over \$ 25,000

\$ 75,000

\$250,000

\$ 4,840 plus 8.33% of excess over \$ 75,000

\$250,000 or more

\$19,418 plus 8.93% of excess over \$250,000

3. **OVERPAYMENT** from prior year elected for credit to estimated tax: 3. _____

4. **BALANCE** of estimated Maine corporate income tax (line 2 minus line 3): 4. _____

5. COMPUTATION and RECORD OF PAYMENTS

Date Paid	Total Estimate Original or Amended	Amount of Installment Payable	Prior Year Overpayment Applied to Installment	Balance Payable by Check	Total Payments and Refund Applied
1. _____	\$ _____	April 15 \$ _____	\$ _____	\$ _____	\$ _____
2. _____	\$ _____	June 15 \$ _____	\$ _____	\$ _____	\$ _____
3. _____	\$ _____	Sept 15 \$ _____	\$ _____	\$ _____	\$ _____
4. _____	\$ _____	Dec 15 \$ _____	\$ _____	\$ _____	\$ _____

Fiscal year corporations: use dates corresponding with the 15th day of the 4th, 6th, 9th and 12th months of the fiscal year.

NOTE: if your estimated tax should change during the year, you may use the amended computation worksheet below to determine the amended amounts to be entered on declaration.

1. **AMENDED ESTIMATED CORPORATE INCOME TAX** 1. _____

2. LESS:

a. Amount of **OVERPAYMENT** from prior year credited to
this year's estimated tax and applied to date

2a. _____

b. **PAYMENTS** made for current year

2b. _____

c. **TOTAL:** Line 2a plus line 2b

2c. _____

3. **UNPAID BALANCE:** Line 1 minus line 2c

3. _____

4. **AMOUNT TO BE PAID:** Line 3 divided by number of remaining installments

4. _____

(KEEP FOR YOUR RECORDS)
SEE REVERSE SIDE FOR INSTRUCTIONS

FORM 1120W-ME

1120X-ME – GENERAL INSTRUCTIONS

Purpose of form: Maine amended Form 1120X-ME must be filed if: 1) an amended federal return has been filed that affects the taxpayer's liability; 2) the Internal Revenue Service has made a change or correction that affects the taxpayer's liability; or 3) there are other changes or corrections that affect the taxpayer's liability.

How to file: Use Form 1120X-ME to correct Maine Form 1120ME or Form 1120A-ME for **years beginning on or after January 1, 1991**. For years prior to 1991, use Form 1120ME for the year(s) you are amending and print or type "amended" in the upper left corner of the form. To obtain a form for the appropriate pre-1991 year being amended, call 207-624-7894.

Attach copies of federal Form 1120X or the Internal Revenue Agent report to support changes shown on Maine Form 1120X-ME. In the event of a net operating loss, attach a copy of federal Form 1139 for each year that you are amending. For all amended returns, Schedules A through D must be completed, even if the amounts have not changed from the original return.

HOW TO REPORT A NET OPERATING LOSS ON AMENDED MAINE CORPORATE RETURNS

Federal net operating losses, including carrybacks and carryforwards, are reflected in the federal taxable income reported on the Maine corporate income tax return, line 1. If the Maine amended return being filed is due to federal NOL carrybacks or carryforwards, you must attach a copy of federal Form 1139 or Form 1120X and a schedule that reflects, from year to year, the use of the federal NOL carryback or carryforward and related income modifications described below. Corporations included in a federal consolidated return filing a separate Maine return that carry back a loss for Maine purposes that differs from the federal NOL carryback must complete and attach to the Maine Form 1120X-ME a pro forma federal Form 1139 (or similar schedule containing all of the information required by federal Form 1139) to support the amount of NOL deduction being claimed for Maine purposes. Clearly mark the form "Maine pro forma."

The following modifications are reported on the Maine corporate income tax return, line 4d: 1) for tax years beginning prior to 2002, the amount of any NOL for the current taxable year which, for federal income tax purposes, has been or will be carried back to previous taxable years in accordance with IRC § 172; 2) the amount of any NOL carryover deduction claimed for federal income tax purposes in accordance with IRC § 172 which has previously been used to offset Maine modifications to federal taxable income under 36 M.R.S.A. § 5200-A(1).

The following modifications are also reported on the Maine corporate income tax return, line 4d: 1) for NOLs arising in tax years 1989 – 1992 and beginning on or after January 1, 2002 that were carried back for federal income tax purposes, the federal taxable income in the year or years preceding the year of the loss must, for Maine income tax purposes, be increased by the amount of the federal NOL carryback; 2) for NOLs arising in tax years beginning or ending in 2001 that were carried back more than two years for federal income tax purposes, the federal taxable income in the year or years preceding the year of the loss by more than two years must, for Maine income tax purposes, be increased by the amount of the federal NOL carryback. The modification relating to NOLs arising in years beginning or ending in 2001 does not apply to certain small businesses and farmers.

For NOLs arising in tax years 1989 – 1992, the federal taxable income of the taxpayer in the *15-year period* following the year of the loss may, for Maine income tax purposes, be decreased in an amount which in the aggregate does not exceed the amount of the add-back modification explained in the previous paragraph relating to NOLs arising in tax years 1989 – 1992. Likewise, for NOLs arising in tax years beginning on or after January 1, 2002, the federal taxable income of the taxpayer in the *20-year period* following the year of the loss may, for Maine income tax purposes, be decreased in an amount which in the aggregate does not exceed the amount of the add-back modification explained in the previous paragraph relating to NOLs arising in tax years beginning on or after January 1, 2002. For NOLs arising in tax years beginning or ending in 2001 that were carried back more than two years for federal income tax purposes, federal taxable income in the two years preceding the year of the loss and within the allowable carryover period for NOLs may, for Maine income tax purposes, be decreased in an amount which in the aggregate does not exceed the amount of the add-back modification explained in the previous paragraph relating to NOLs arising in tax years beginning or ending in 2001. However, Maine taxable income may not be reduced to less than zero. The modifications described in this paragraph are reported on line 2f of the Maine corporate income tax return.

The above modifications also apply to the Maine Alternative Minimum tax. Attach a schedule showing the alternative minimum tax loss and use of modifications.

Unitary groups. For a unitary group filing a combined Maine return, the federal taxable income to be reported on the Maine corporate return, line 1 is the federal taxable income under the laws of the United States for the unitary group (see MRS Rule 810). This is the amount shown on Form CR, line 20 as amended (all unitary business groups must complete Form CR, formerly Schedule CB).

The determination of the federal taxable income of the unitary group in accordance with MRS Rule 810 may result in an NOL for Maine that differs from the federal NOL. This is generally the result of the unitary group being different than the federal consolidated group. Regardless of the federal NOL amount, the NOL amount for the Maine unitary group may be carried back (for tax years beginning prior to 2002) or forward consistent with the Internal Revenue Code and related regulations, subject to the modifications of 36 M.R.S.A. § 5200-A(1)(B), (C) & (H) and subject to the requirements of MRS Rule 810. If the loss being carried back for Maine purposes is different than the loss being carried back for federal purposes, complete and attach to the Maine Form 1120X-ME a pro forma federal Form 1139 (or similar schedule containing all of the information required by federal Form 1139) to support the NOL deductions being claimed for Maine purposes. Clearly mark the form "Maine pro forma." If the composition of the unitary group changes, see MRS Rule 810 for guidance on the allocation and use of NOLs.

An incomplete Form 1120X-ME cannot be processed. Attaching schedules or spreadsheets in lieu of completing this form is not acceptable.

Maine Revenue Services uses optical scanners to process Forms 1120ME and 1120X-ME; these forms cannot be altered in any way. Do not change line numbers or descriptions as these changes will not be detected when scanned. All dollar amounts other than zero must be written in the appropriate column even if the amount has not changed from a previous return or filing period. Any box on Form 1120X-ME column C that is left blank will be read as a zero.

When to file: Amended Maine income tax returns must be filed within 90 days of the final determination of the change or correction of the filing of the federal amended return or Internal Revenue Agent report. File form 1120X-ME only after you have filed an original return.

Generally, to receive a refund of taxes paid, you must file Form 1120X-ME within three years after the date the original return was filed, or within three years after the date the tax was paid, whichever is later. This time limit does not apply when the Internal Revenue Service makes an adjustment that affects the taxpayer's liability.

Combined Reports: Refer to the instructions for Form CR and Combined Reporting in the corporate income tax booklet. You must attach a copy of Form CR to Form 1120X-ME if you are a member of a unitary business group.

1120X-ME – SPECIFIC INSTRUCTIONS

Reason for change: Check the appropriate box to identify the reason for filing this form: 1) if an Internal Revenue Service audit change, attach a copy of the federal audit; 2) if a net operating loss, attach a copy of federal Form 1139; 3) if an amended federal Form 1120X, attach a copy of the federal amended return; 4) if an accounting change, attach approval of acceptance from the Internal Revenue Service; 5) if other, attach a written explanation of change.

Net Operating Loss.

A. For tax years **2000 and earlier** (except 1989 - 1993; see instructions for those years), Maine conforms to all federal net operating loss carrybacks and carryforwards.

B. For tax year **2001**, Maine allowed a two-year federal carryback in most cases, but allowed a longer carryback in certain situations (five years for farmers, for example. See IRC § 172). However, Maine decoupled from the five-year carryback period allowed under the Jobs Creation and Worker Assistance Act of 2002 (See federal PL 107-147).

C. For tax years **2002 and on**, Maine does not allow any NOL carryback.

Column A: Enter the amounts from your return as originally filed or previously amended. If your return was adjusted or audited by the State of Maine, enter the amounts as last adjusted.

Column B: Enter the net increase or net decrease for each line that is changed. Use a minus sign to the left of the number to indicate a decrease.

Column C: This column must be filled out completely even if the amount in column A is not being adjusted. Combine the amounts in column A and column B and enter the result in column C.

SCHEDULES A - D:

Check the Amended box if the schedule is being changed as a result of this amended return and complete each schedule with the amended figures. Check the Original or Previously Adjusted box if the schedule shows the figures as last adjusted or originally filed. In all cases, properly complete columns A, B and C of Form 1120X-ME, lines 6, 7b and 8d as they relate to Schedules A, B and C.

SCHEDULE A: Schedule A is for corporations engaged in interstate business. If this is the case, you must complete this schedule, even if you are not changing the figures from the original or as previously adjusted. See additional Schedule A instructions on pages 6 and 7.

SCHEDULE B: Complete this schedule even if figures are the same as originally filed or previously adjusted. The rate (line 25) is 29.7% for years beginning in 1991 and 1992 and 27% for years 1993 and after.

SCHEDULE C: If you had other credits on your original return that are still valid, you must enter those credits here, even if you are not making any adjustments. See additional Schedule C instructions on page 8.

SCHEDULE D: A minimum tax credit is available for tax years beginning on or after January 1, 1992. This credit is modeled after the federal alternative minimum tax credit. Complete this schedule to calculate your credit. You must complete this schedule and enter line g on Form 1120X-ME, Schedule C, line 29k, even if you are not changing the figures from the original return or as previously adjusted.

IMPORTANT: IF ALL REQUIRED LINES AND SCHEDULES (INCLUDING FORM CR) ARE NOT COMPLETED, THE RETURN IS INCOMPLETE AND WILL NOT BE CONSIDERED A FILED RETURN. ALSO, PAGES 1-4 OF THE FEDERAL RETURN MUST BE ATTACHED TO YOUR MAINE CORPORATE RETURN.



2003

FORM 1120A-ME

MAINE CORPORATE SHORT FORM
INCOME TAX RETURN

030012700

For Calendar Year 2003 or Tax Year Beginning in 2003

Federal Employer ID Number

For Tax Period 03 TO MM DD YY

Name

Check box if federal Form 990T filed ☐

Address

Federal Business Code

State of
Incorporation

City, Town, or Post Office

State

ZIP Code

Contact Person's First Name

Last Name

Phone Number

CHECK APPLICABLE BOXES: ☐ (1) Initial return ☐ (2) Final return ☐ (3) Change of name/address TO AMEND, FILE FORM 1120X-ME

Note: Line numbers for this form correspond to the same line numbers on Form 1120ME (see specific instructions)

1. FEDERAL TAXABLE INCOME (federal Form 1120, line 30 or Form 1120-A, line 26)	1		.00
If negative, enter a minus sign in the box to the left of the number			
2h. STATE INCOME TAX REFUNDS included in line 1 above	MINUS 2h		.00
4a. INCOME TAXES IMPOSED BY MAINE	PLUS 4a		.00
4g. BONUS DEPRECIATION/SECTION 179 expense add-back	PLUS 4g		.00
6. MAINE NET INCOME. If negative, enter a minus sign in the box to the left of the number	= 6		.00
7a. MAINE CORPORATE INCOME TAX (see tax rates on page 6)	7a		.00
8. Enter the amount of any ESTIMATED TAX PAYMENTS and EXTENSION PAYMENTS	MINUS 8		.00
9b. Enter PENALTY FOR UNDERPAYMENT of estimated tax	PLUS 9b		.00
9c. TAX DUE (If line 7a minus line 8 plus line 9b is positive, enter that amount here)	= 9c		.00
10. Amount of OVERPAYMENT (If line 7a minus line 8 plus line 9b is negative, enter that amount here)	= 10		.00
11a. Amount of OVERPAYMENT TO BE CREDITED to next year's liability	11a		.00
11b. Amount of OVERPAYMENT TO BE REFUNDED	11b		.00

TO USE THE SHORT FORM 1120A-ME, YOU MUST MEET ALL OF THE FOLLOWING CRITERIA:

- 100% of business activity conducted in Maine (no apportionment of income).
- The only adjustment to income is Maine income taxes.
- Corporation is not a member of an affiliated group filing a separate return.
- Corporation does not file a combined return.
- Corporation claims no tax credits other than extension payments or estimated payments (no real estate withholding payments).
- Corporation is not required to pay Maine Alternative Minimum Tax.

IF YOU DO NOT MEET THESE REQUIREMENTS, THEN FORM 1120ME MUST BE FILED.

CORPORATION PRESIDENT'S NAME SOCIAL SECURITY NUMBER

TREASURER'S NAME SOCIAL SECURITY NUMBER

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements and to the best of my knowledge and belief they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

DATE

OFFICER'S SIGNATURE

TITLE

File return with:
Maine Revenue Services
P.O. Box 1062
Augusta, ME 04332-1062

DATE

SIGNATURE AND ADDRESS OF PREPARER (INDIVIDUAL OR FIRM)

Office Use Only

☐ LG

THIS RETURN MUST BE ACCOMPANIED BY A LEGIBLE COPY OF THE U.S. CORPORATION INCOME TAX RETURN, FEDERAL FORM 1120, PAGES 1-4 OR 1120A, PAGES 1 & 2 FOR THE SAME TAXABLE PERIOD.

DO NOT STAPLE OR TAPE FORMS TO YOUR RETURN. DO NOT SEND PHOTOCOPIES OF RETURNS.



030012000

h. TOTAL ADDITIONS (add lines 4a through 4g)

DO NOT STAPLE OR TAPE FORMS TO YOUR RETURN. DO NOT SEND PHOTOCOPIES OF RETURNS.

Federal EIN: _____

5. ADJUSTED FEDERAL TAXABLE INCOME (add lines 3 and 4h). Corporations that apportion income use this amount for line 16 of Schedule A. If negative, enter a minus sign in the box to the left of the number 5		.00
6. MAINE NET INCOME (from line 5 above or Schedule A, line 17) 6		.00
7. TAX:		
a. MAINE CORPORATE INCOME TAX (see tax rates on page 6) 7a		.00
b. MINIMUM TAX: Schedule B, page 3, line 28 (attach federal Form 4626) 7b		.00
c. TOTAL TAX (add lines 7a and 7b) 7c		.00
8. CREDITS:		
a. MAINE ESTIMATED TAX PAID 8a		.00
b. EXTENSION PAYMENT (Form 1120EXT-ME) 8b		.00
c. OTHER CREDITS Schedule C, page 4, line 29o 8c		.00
d. INCOME TAX WITHHELD from a pass-through entity (enclose Form 1099ME) 8d		.00
e. TOTAL CREDITS (add lines 8a, 8b, 8c and 8d) 8e		.00
9. a. If line 7c is greater than line 8e, enter TAX BALANCE DUE (If not, skip to line 10) 9a		.00
b. Enter PENALTY for underpayment of estimated tax (attach Form 2220ME) 9b		.00
c. TOTAL AMOUNT DUE (add lines 9a and 9b). Pay in full with return (Please make check payable to Treasurer, State of Maine) 9c		.00
10. If line 8e is greater than line 7c, enter OVERPAYMENT 10		.00
11. Amount of line 10 to be:		
a. CREDITED to next year's estimated tax 11a		.00
b. REFUNDED 11b		.00
Next year's return To reduce state printing and postage costs, if you have your return done by a tax preparer and do not need Maine income tax forms and instructions mailed to you next year, check box at right <input type="checkbox"/>		
CORPORATION PRESIDENT'S NAME _____ SOCIAL SECURITY NUMBER _____ TREASURER'S NAME _____ SOCIAL SECURITY NUMBER _____ COMPANY'S WEB SITE ADDRESS _____		

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements and to the best of my knowledge and belief they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

DATE	OFFICER'S SIGNATURE	TITLE
DATE	SIGNATURE AND ADDRESS OF PREPARER (INDIVIDUAL OR FIRM)	
	PREPARER'S SSN OR PTIN	

THIS RETURN MUST BE ACCOMPANIED BY A LEGIBLE COPY OF THE U.S. CORPORATION INCOME TAX RETURN, FEDERAL FORM 1120, PAGES 1-4 OR FORM 1120A, PAGES 1 & 2, FOR THE SAME TAXABLE PERIOD.

Please submit forms in the following order:

1. Pages 1 through 4 of Form 1120ME.
2. Form CR, if required, including affiliation schedule.
3. Other statements for the Maine income tax return.
4. A copy of federal Form 1120, pages 1 through 4 (or Form 1120A, pages 1 and 2).



File return with:
Maine Revenue Services
P.O. Box 1062
Augusta, ME 04332-1062

Office use only	
<input type="checkbox"/> LG	

Federal EIN: _____

SCHEDULE A - APPORTIONMENT OF INCOMEDo **not** complete this schedule if 100% of your business activity is apportionable to Maine.

All others must complete this schedule and enter amounts in Columns A and B, even if those amounts are zero.

If this schedule is left blank or excluded, your Maine apportionment factor will be set at 100%. **Round all dollar amounts to whole numbers.**

Check here if the taxpayer is a mutual fund service provider electing to use the special apportionment formula under 36 M.R.S.A. § 5212(2).

	(A) Within Maine	(B) Everywhere	(C) Maine Factors Col. (A)/Col. (B) x Statutory Weighting Rounded to 6 Decimals
12. Total Sales	_____ ÷ _____	_____ x .50 = _____	
13. Total Payroll	_____ ÷ _____	_____ x .25 = _____	
14. Total Property	_____ ÷ _____	_____ x .25 = _____	
If one of these factors has a value of zero in both column A and column B, see the instructions on page 6.			
15. MAINE APPORTIONMENT FACTOR - Sum of lines 12, 13 and 14, column (C)		15	_____
16. ADJUSTED FEDERAL TAXABLE INCOME (page 2, line 5)		16	_____
17. INCOME APPORTIONED TO MAINE (line 16 x line 15 factor). Enter here and on line 6, page 2		17	_____
18. What amount of line 14, column A is TANGIBLE PERSONAL PROPERTY ?		18	_____

SCHEDULE B - MINIMUM TAX(Attach federal Form 4626)

19. FEDERAL TENTATIVE MINIMUM TAX (federal <u>Form 4626</u> , line 12)	19	_____	.00
20. Federal alternative minimum tax FOREIGN TAX CREDIT (federal <u>Form 4626</u> , line 11)	PLUS 20	_____	.00
21. MODIFICATIONS to federal tentative minimum tax (see instructions for Schedule B on page 7)	21	_____	.00
22. LINE 19 PLUS LINE 20 PLUS OR MINUS LINE 21	= 22	_____	.00
23. APPORTIONMENT FACTOR (from line 15 above)	23	_____	
24. LINE 22 MULTIPLIED BY LINE 23 FACTOR	24	_____	.00
25. RATE	25		27%
26. STATE MINIMUM TAX (line 24 multiplied by line 25)	26	_____	.00
27. INCOME TAX (page 2, line 7a)	27	_____	.00
28. NET STATE MINIMUM TAX (line 26 minus line 27). Enter here and on page 2, line 7b. (If less than zero, enter zero)	28	_____	.00

Federal EIN: _____

SCHEDULE C - OTHER CREDITS (Attach worksheets; see maine.gov/revenue)

29. a. MAINE SEED CAPITAL TAX CREDIT (Credit Claimed _____) Amount Used	29a	_____	.00
b. JOBS AND INVESTMENT TAX CREDIT (Credit Claimed _____) Amount Used	29b	_____	.00
c. EMPLOYER-ASSISTED DAY CARE TAX CREDIT AND QUALITY CHILD CARE INVESTMENT CREDIT (Credit Claimed _____) Amount Used	29c	_____	.00
d. EMPLOYER-PROVIDED LONG-TERM CARE BENEFITS CREDIT (Credit Claimed _____) Amount Used	29d	_____	.00
e. MACHINERY AND EQUIPMENT INVESTMENT TAX CREDIT (Credit Claimed _____) Amount Used	29e	_____	.00
f. SOLID WASTE REDUCTION INVESTMENT TAX CREDIT (Credit Claimed _____) Amount Used	29f	_____	.00
g. RESEARCH EXPENSE TAX CREDIT (Credit Claimed _____) Amount Used	29g	_____	.00
h. SUPER RESEARCH AND DEVELOPMENT CREDIT (Credit Claimed _____) Amount Used	29h	_____	.00
i. HIGH-TECHNOLOGY INVESTMENT TAX CREDIT (Credit Claimed _____) Amount Used	29i	_____	.00
j. MINIMUM TAX CREDIT (Credit Claimed _____) Amount Used	29j	_____	.00
k. CREDIT FOR DEPENDENT HEALTH BENEFITS PAID (Credit Claimed _____) Amount Used	29k	_____	.00
l. CLEAN FUEL CREDIT (Credit Claimed _____) Amount Used	29l	_____	.00
m. HISTORIC REHABILITATION CREDIT (Credit Claimed _____) Amount Used	29m	_____	.00
n. FAMILY DEVELOPMENT ACCOUNT CREDIT (Credit Claimed _____) Amount Used	29n	_____	.00
o. TOTAL: Add lines a through n, enter result here and on page 2, line 8c. (Credit limited to the tax liability on page 2, line 7c)	29o	_____	.00

SCHEDULE D - MINIMUM TAX CREDIT

30. a. NET STATE MINIMUM TAX FOR 2002 (2002 Form 1120ME, Schedule B, line 28)	30a	_____	.00
b. MINIMUM TAX CREDIT CARRYOVER FROM 2002 (2002 Form 1120ME, Schedule D, line 30h) . PLUS	30b	_____	.00
c. LINE A PLUS LINE B	= 30c	_____	.00
d. REGULAR INCOME TAX LIABILITY FOR 2003 (page 2, line 7a less allowable credits - all Schedule C credits except minimum tax credit)	30d	_____	.00
e. STATE MINIMUM TAX FOR 2003 (Schedule B, line 26)	MINUS 30e	_____	.00
f. LINE d MINUS LINE e (if zero or less, enter zero)	= 30f	_____	.00
g. STATE MINIMUM TAX CREDIT: enter the smaller of line c or line f here and on Schedule C, line 29j	30g	_____	.00
h. Maine minimum tax credit CARRYOVER TO 2004 (line c minus line g)	30h	_____	.00



2003

FORM CR – page 1 of 2
MAINE CORPORATE INCOME TAX
Combined Report For Unitary Members

030012400

Federal EIN: _____

The Combined Report must be accompanied by a legible copy of the parent's Federal Consolidated Tax Return, pages 1, 2, 3 and 4 (or equivalent) and affiliation schedule.

**COMBINED
REPORT**

This report must be attached to your Form 1120ME

Col 1	Column 2*	Column 3	Column 4	Column 5	Column 6
Nexus with Maine	Corporation Name and Federal Identification Number of Unitary Business Member	Income of Unitary Members Participating in a Federal Consolidated Filing	Income of Unitary Members Filing Separate Federal Returns	Allowable Adjustments	Adjusted Separate Income of Unitary Members (Combine Columns 3, 4 and 5)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16	Adjustments and eliminations for columns 7 through 10				
17	TOTALS:				
				18. Special Deductions	
				19. Unitary NOL Deduction	
				20. Taxable Income Under the Laws of the United States	

* Please indicate if FSC, REIT or 936 corporation

FORM CR – page 2 of 2
MAINE CORPORATE INCOME TAX

This report must be attached to your Form 1120ME

030012500

Important: The Combined Report must be accompanied by an affiliation schedule listing name, federal ID number, and corporate activity of all members of the affiliated group, both unitary and non-unitary.

COMBINED
REPORT

Column 7 State Modifications		Column 8		Column 9		Column 10	
A. Subtractions	B. Additions	A. Sales in Maine	B. Sales Everywhere	A. Payroll in Maine	B. Payroll Everywhere	A. Property in Maine	B. Property Everywhere
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16 Adjust- ments							
17 TOTALS							



2004

FORM 1120ES-ME
MAINE

ESTIMATED TAX PAYMENT VOUCHER FOR CORPORATIONS

VOUCHER 1 - Due April 15

(or 15th day of the fourth month for fiscal year taxpayers).

040022000

Enter the beginning and ending dates for the
entire tax year (NOT the quarter dates)
Corporation Name

MM

DD

YY

MM

DD

YY

If this payment is for a short year period,
enter the next filing period here

Amount of Payment

.00

Address

Federal Identification Number

City, Town, or Post Office

State

ZIP Code

Date Installment Due

Detach this voucher and make check payable to TREASURER, STATE OF MAINE. Mail both to:
Maine Revenue Services, P.O. Box 1062, Augusta, ME 04332-1062 using the address label inserted in this booklet.

2004

FORM 1120ES-ME
MAINE

ESTIMATED TAX PAYMENT VOUCHER FOR CORPORATIONS

VOUCHER 2 - Due June 15

(or 15th day of the sixth month for fiscal year taxpayers).

040022000

Enter the beginning and ending dates for the
entire tax year (NOT the quarter dates)
Corporation Name

MM

DD

YY

MM

DD

YY

If this payment is for a short year period,
enter the next filing period here

Amount of Payment

.00

Address

Federal Identification Number

City, Town, or Post Office

State

ZIP Code

Date Installment Due

Detach this voucher and make check payable to TREASURER, STATE OF MAINE. Mail both to:
Maine Revenue Services, P.O. Box 1062, Augusta, ME 04332-1062 using the address label inserted in this booklet.

2004

FORM 1120ES-ME
MAINE

ESTIMATED TAX PAYMENT VOUCHER FOR CORPORATIONS

VOUCHER 3 - Due Sep. 15

(or 15th day of the ninth month for fiscal year taxpayers).

040022000

Enter the beginning and ending dates for the
entire tax year (NOT the quarter dates)
Corporation Name

MM

DD

YY

MM

DD

YY

If this payment is for a short year period,
enter the next filing period here

Amount of Payment

.00

Address

Federal Identification Number

City, Town, or Post Office

State

ZIP Code

Date Installment Due

Detach this voucher and make check payable to TREASURER, STATE OF MAINE. Mail both to:
Maine Revenue Services, P.O. Box 1062, Augusta, ME 04332-1062 using the address label inserted in this booklet.



2004

FORM 1120ES-ME
MAINE

ESTIMATED TAX PAYMENT VOUCHER FOR CORPORATIONS

VOUCHER 4 - Due Dec. 15

(or 15th day of the **twelfth** month for fiscal year taxpayers).

040022000

Enter the beginning and ending dates for the entire tax year (NOT the quarter dates)			If this payment is for a short year period, enter the next filing period here _____				
Corporation Name	MM	DD	YY	MM	DD	YY	Amount of Payment
							.00
Address							Federal Identification Number
City, Town, or Post Office				State	ZIP Code		Date Installment Due

Detach this voucher and make check payable to TREASURER, STATE OF MAINE. Mail both to:
Maine Revenue Services, P.O. Box 1062, Augusta, ME 04332-1062 using the address label inserted in this booklet.

EXTENSION VOUCHER INSTRUCTIONS

A State of Maine extension request form is not necessary. To make a payment of tax due, complete and submit the voucher below (1120EXT-ME) by the original due date of your return. **Caution: At least 90% of your Maine income tax liability must be paid by the original due date of your return in order to avoid a penalty for failure to pay tax on time.** Send your check for any estimated tax due with the voucher to: Maine Revenue Services, P.O. Box 9114, Augusta, ME 04332-9114.

REMEMBER, AN EXTENSION IS AN EXTENSION TO FILE, **NOT AN EXTENSION TO PAY.**



2003

1120EXT-ME

EXTENSION PAYMENT VOUCHER FOR
MAINE CORPORATE INCOME TAX

030097200

For tax period:			03	to				
	MM	DD		MM	DD	YY		
Corporation Name							Amount of Payment	
							.00	
Address							Federal ID Number	
City				State	ZIP code		Date return is due (with extension)	



Form 1120X-ME
MAINE AMENDED CORPORATE RETURN
USE THIS FORM ONLY FOR YEARS BEGINNING ON OR AFTER
JANUARY 1, 1991

030062000

FOR TAX PERIOD
NAME

TO
MM DD YY

EMPLOYER ID NUMBER

BUSINESS CODE (FEDERAL)

STATE OF INCORPORATION

ADDRESS

CITY, TOWN, OR POST OFFICE

STATE

ZIP CODE

CONTACT PERSON FIRST NAME

LAST NAME

TELEPHONE NUMBER

PARENT COMPANY EIN

Reason for change: ☐ IRS change ☐ Net operating loss ☐ Federal amended 1120X ☐ Accounting change ☐ Other (attach explanation)

If you are a member of an affiliated group filing a separate return, check here ☐

If you are filing a combined return, check here and complete and attach Form CR ☐

	A. As Originally Filed or Previously Adjusted	B. Adjustment	C. Correct Amount
A. CONSOLIDATED FEDERAL TAXABLE INCOME if filing as part of a federal consolidated return			A .00
1. FEDERAL TAXABLE INCOME If negative, enter a minus sign in the box to the left of the number			1 .00
2. DEDUCTIONS:			
a. NONTAXABLE INTEREST			2a .00
b. FOREIGN DIVIDEND GROSS-UP			b .00
c. FEDERAL JOBS CREDIT/WORK OPPORTUNITY CREDIT - Attach federal Form 5884			c .00
d. INCOME NOT TAXABLE under the Constitution of Maine or the U.S.			d .00
e. DIVIDENDS FROM CERTAIN AFFILIATED CORPORATIONS (limitations - see instructions)			e .00
f. NET OPERATING LOSS DEDUCTION CARRY-OVER from 1989-92, 2001 and 2002			f .00
g. INCOME FROM OWNERSHIP INTEREST IN PASS-THROUGH ENTITY FINANCIAL INSTITUTIONS subject to Maine Franchise Tax			g .00
h. STATE INCOME TAX REFUNDS included in line 1 above			h .00
i. NORTHERN MAINE TRANSMISSION CORPORATION ADJUSTMENT (see instructions)			i .00
j. TOTAL DEDUCTIONS (add lines 2a through 2i)			j .00
3. LINE 1 MINUS LINE 2j. If negative, enter a minus sign in the box to the left of the number			3 .00
4. ADDITIONS:			
a. INCOME TAXES imposed by Maine or any other state (attach schedule)			4a .00
b. UNRELATED EXPENSES (attach schedule)			b .00
c. INTEREST FROM STATE AND MUNICIPAL BONDS other than Maine			c .00
d. NET OPERATING LOSS RECOVERY ADJUSTMENT			d .00
e. LOSS OR EXPENSES FROM FLOW-THROUGH ENTITY FINANCIAL INSTITUTIONS subject to Maine Franchise Tax			e .00
f. HIGH-TECHNOLOGY CREDIT ADD-BACK			f .00
g. BONUS DEPRECIATION AND SECTION 179 ADD-BACK			g .00
h. TOTAL ADDITIONS (add lines 4a through 4g)			h .00

DO NOT STAPLE OR TAPE FORMS TO YOUR RETURN. DO NOT SEND PHOTOCOPIES OF RETURNS.

Federal EIN: _____

	A Original	B Adjustment	C Correct Amount
5. ADJUSTED FEDERAL TAXABLE INCOME (add lines 3 and 4h). Corporations that apportion income, use this amount for Schedule A, line 16			5 _____ .00
6. MAINE NET INCOME (from line 5 above or Schedule A, line 17)			6 _____ .00
7. TAX: a. MAINE CORPORATE INCOME TAX (see tax rates on page 6) 7a			7a _____ .00
b. MINIMUM TAX: Schedule B, line 28 - (attach federal Form 4626) 7b			b _____ .00
c. TOTAL TAX (add lines 7a and 7b) 7c			c _____ .00
8. CREDITS:			
a. MAINE ESTIMATED TAX PAID 8a			8a _____ .00
b. EXTENSION PAYMENT (Form 1120EXT-ME) b			b _____ .00
c. PAID WITH ORIGINAL RETURN AND ADDITIONAL PAYMENTS after return was filed c			c _____ .00
d. OTHER CREDITS (Schedule C, line 29p) 8d			d _____ .00
e. WITHHOLDING (attach Forms 1099ME) 8e			e _____ .00
f. TOTAL CREDITS (add lines 8a through 8e) 8f			f _____ .00
g. OVERPAYMENT on original return or as previously adjusted (enter as a positive number) g			g _____ .00
9. LINE 8f MINUS LINE 8g (total credits minus overpayments) 9			9 _____ .00
10. a. If line 7c is greater than line 9, enter the difference as TAX DUE . (If not, skip to line 11) 10a			10a _____ .00
b. PENALTY FOR UNDERPAYMENT - attach Form 2220ME 10b			b _____ .00
c. TOTAL DUE (line 10a plus line 10b) - remit payment with return (Please make check payable to Treasurer, State of Maine) c			c _____ .00
11. If line 9 is greater than line 7c, enter amount to be REFUNDED 11			11 _____ .00
CORPORATION PRESIDENT'S NAME _____ SOCIAL SECURITY NUMBER _____			
TREASURER'S NAME _____ SOCIAL SECURITY NUMBER _____			
COMPANY'S WEB SITE ADDRESS _____			

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements and to the best of my knowledge and belief they are true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

DATE

OFFICER'S SIGNATURE

TITLE

DATE

SIGNATURE AND ADDRESS OF PREPARER (INDIVIDUAL OR FIRM)

PREPARER'S SSN OR PTIN

File return with:
Maine Revenue Services
P.O. Box 1062
Augusta, ME 04332-1062

Office use only

☐ LG

Federal EIN: _____

☐ AMENDED
☐ AS ORIGINALLY REPORTED
 OR PREVIOUSLY ADJUSTED
SCHEDULE A - APPORTIONMENT OF INCOMEDo not complete this schedule if 100% of your business activity is apportionable to Maine.

All others must complete this schedule and enter amounts in Columns A and B, even if those amounts are zero.

If this schedule is left blank or excluded, your Maine apportionment factor will be set at 100%. **Round all dollar amounts to whole numbers.**
☐ Check here if the taxpayer is a mutual fund service provider electing to use the special apportionment formula under 36 M.R.S.A. § 5212(2).

	(A) Within Maine	(B) Everywhere	(C) Maine Factors Col. (A)/Col. (B) x Statutory Weighting Rounded to 6 Decimals
12. Total Sales	_____ ÷ _____	_____ x .50 = _____	
13. Total Payroll	_____ ÷ _____	_____ x .25 = _____	
14. Total Property	_____ ÷ _____	_____ x .25 = _____	

If one of these factors has a value of zero in both column A and column B, see the instructions on page 6.

15. MAINE APPORTIONMENT FACTOR - Sum of lines 12, 13 and 14, column (C)	15	_____
16. ADJUSTED FEDERAL TAXABLE INCOME (page 2, line 5)	16	_____
17. INCOME APPORTIONED TO MAINE (line 16 x line 15 factor)	17	_____
18. What amount of line 14, column A is TANGIBLE PERSONAL PROPERTY ?	18	_____
18A. Enter the amount of throwback sales included in line 12, column A (total sales within Maine) 18A	18A	_____

SCHEDULE B - MINIMUM TAX
☐ AMENDED
☐ AS ORIGINALLY REPORTED
 OR PREVIOUSLY ADJUSTED
(Attach federal Form 4626) - This schedule must be completed even if it is the same as originally filed or previously adjusted

19. FEDERAL TENTATIVE MINIMUM TAX (federal Form 4626, line 12)	19	_____	.00
20. FEDERAL ALTERNATIVE MINIMUM TAX FOREIGN TAX CREDIT (Federal Form 4626, line 11)	PLUS 20	_____	.00
21. MODIFICATIONS to federal tentative minimum tax (see instructions for Schedule B on page 7)	21	_____	.00
22. LINE 19 PLUS LINE 20 PLUS OR MINUS LINE 21	= 22	_____	.00
23. APPORTIONMENT FACTOR (from line 15 above)	23	_____	
24. LINE 22 MULTIPLIED BY LINE 23 FACTOR	24	_____	.00
25. RATE	25	1991-1992: 29.7% ; 1993-present: 27%	
26. STATE MINIMUM TAX (line 24 multiplied by line 25)	26	_____	.00
27. INCOME TAX (page 2, line 7a)	27	_____	.00
28. NET STATE MINIMUM TAX (line 26 minus line 27). Enter here and on page 2, column C, line 7b. (If less than zero, enter zero)	28	_____	.00

Federal EIN: _____

SCHEDULE C - OTHER CREDITS

This schedule must be completed even if same as originally filed or previously adjusted



AMENDED

AS ORIGINALLY REPORTED
OR PREVIOUSLY ADJUSTED

29. a. MAINE SEED CAPITAL TAX CREDIT (Gross Credit _____)) Amount Claimed	29a	_____ - _____ - _____	.00
b. JOBS AND INVESTMENT TAX CREDIT (Gross Credit _____)) Amount Claimed	29b	_____ - _____ - _____	.00
c. EMPLOYER-ASSISTED DAY CARE TAX CREDIT AND QUALITY CHILD CARE INVESTMENT CREDIT (Gross Credit _____)) Amount Claimed	29c	_____ - _____ - _____	.00
d. EMPLOYER-PROVIDED LONG-TERM CARE BENEFITS CREDIT (Gross Credit _____)) Amount Claimed	29d	_____ - _____ - _____	.00
e. MACHINERY AND EQUIPMENT INVESTMENT TAX CREDIT (Gross Credit _____)) Amount Claimed	29e	_____ - _____ - _____	.00
f. SOLID WASTE REDUCTION INVESTMENT TAX CREDIT (Gross Credit _____)) Amount Claimed	29f	_____ - _____ - _____	.00
g. RESEARCH EXPENSE TAX CREDIT (Gross Credit _____)) Amount Claimed	29g	_____ - _____ - _____	.00
h. SUPER RESEARCH AND DEVELOPMENT CREDIT (Gross Credit _____)) Amount Claimed	29h	_____ - _____ - _____	.00
i. HIGH-TECHNOLOGY INVESTMENT TAX CREDIT (Gross Credit _____)) Amount Claimed	29i	_____ - _____ - _____	.00
j. WOOD WASTE AND CEDAR WASTE CREDITS (1993 only) (Gross Credit _____)) Amount Claimed	29j	_____ - _____ - _____	.00
k. MINIMUM TAX CREDIT (Gross Credit _____)) Amount Claimed	29k	_____ - _____ - _____	.00
l. CREDIT FOR DEPENDENT HEALTH BENEFITS PAID (Gross Credit _____)) Amount Claimed	29l	_____ - _____ - _____	.00
m. CLEAN FUEL CREDIT (Gross Credit _____)) Amount Claimed	29m	_____ - _____ - _____	.00
n. HISTORIC REHABILITATION CREDIT (Gross Credit _____)) Amount Claimed	29n	_____ - _____ - _____	.00
o. FAMILY DEVELOPMENT ACCOUNT CREDIT (Gross Credit _____)) Amount Claimed	29o	_____ - _____ - _____	.00
p. TOTAL: Add lines a through o, enter result here and on Page 2, line 8d, column C. (Credit limited to the tax liability on page 2, line 7c, column C)	29p	_____ - _____ - _____	.00

SCHEDULE D - MINIMUM TAX CREDIT

This schedule must be completed even if same as originally filed or previously adjusted



AMENDED

AS ORIGINALLY REPORTED
OR PREVIOUSLY ADJUSTED

30. a. NET STATE MINIMUM TAX FOR THE TAX YEAR PRIOR to that shown on Form 1120X-ME, page 1	30a	_____ - _____ - _____	.00
b. MINIMUM TAX CREDIT CARRYOVER FROM THE TAX YEAR PRIOR to that shown on Form 1120X-ME, page 1 PLUS	30b	_____ - _____ - _____	.00
c. LINE A PLUS LINE B =	30c	_____ - _____ - _____	.00
d. REGULAR INCOME TAX LIABILITY FOR THE TAX YEAR SHOWN ON FORM 1120X-ME, PAGE 1 (gross tax less allowable credits - all Schedule C credits except minimum tax credit)	30d	_____ - _____ - _____	.00
e. STATE MINIMUM TAX (Schedule B, line 26) MINUS	30e	_____ - _____ - _____	.00
f. LINE D MINUS LINE E (if zero or less, enter zero) =	30f	_____ - _____ - _____	.00
g. STATE MINIMUM TAX CREDIT: enter the smaller of line c or line f here and on Schedule C, line 29k	30g	_____ - _____ - _____	.00
h. Maine minimum tax credit CARRYOVER to the tax year following that shown on Form 1120X-ME, page 1 (line c minus line g)	30h	_____ - _____ - _____	.00

IMPORTANT CHANGES, continued from page 32

Business Equipment Tax Reimbursement. A successor to a business against whom property taxes have been assessed with respect to eligible property may claim the BETR reimbursement as long as the property tax has been paid (whether by the seller or the successor) in the prior calendar year and the successor is the owner of the property on August 1st of the year the claim may be filed. In such cases, the seller of the property may not claim reimbursement for the property under the BETR program. Effective September 13, 2003. For more information call 207-626-8475 or go to www.maine.gov/revenue. See PL 2003, c. 391, § 12. **36 M.R.S.A. § 6652, sub-§ 1.**

Pine Tree Development Zone tax credit. A taxpayer engaged in the business of financial services, manufacturing or a targeted technology, as defined by 5 M.R.S.A. § 15301, that is located within a Pine Tree Development Zone may be eligible for certain tax benefits. In order to be eligible, the taxpayer must add new, full-time jobs that meet certain wage requirements and

that offer the new employees retirement and health care benefits. For tax years beginning after 2003, a tax credit is available equal to 100% of the tax liability for each of the first five years the qualified business is required to file an income or insurance premium tax return with Maine. The credit is 50% of the Maine tax liability for each of the second five years the business is required to file an income or insurance premiums tax return with Maine. Also, eligible businesses may, under the Employment Tax Increment Financing (“ETIF”) program, receive 80% reimbursement of income tax withholding related to qualified Pine Tree Development Zone employees. The increased reimbursement applies to income tax withheld after 2003. In addition, sales tax exemptions apply beginning July 1, 2005 for tangible personal property incorporated into real property located in a Pine Tree Development Zone and for tangible personal property purchased directly by qualified development zone businesses. See PL 2003, c. 451, Pt. NNN. **36 M.R.S.A. §§ 2529 & 5219-W.**

2003 IMPORTANT CHANGES

Net operating losses. Beginning with the 2002 tax year, taxpayers will no longer be required to add back, in the year of the loss, net operating losses being carried back for federal income tax purposes. The effect is that a federal loss can be used to offset Maine addition modifications in the year of the loss. See PL 2003, c. 390, §§ 28 & 38. **36 M.R.S.A. § 5122, sub-§ 1, ¶ D & § 5200-A, sub-§ 1, ¶ B.**

Bonus depreciation and section 179 expensing.

The federal bonus depreciation is increased from 30% to 50% for eligible property acquired after May 5, 2003 and placed in service before 2006. Also, the IRC section 179 expense deduction is increased as follows for eligible property placed in service in tax years beginning after 2002 and before 2006: 1) the deduction limit is increased from \$25,000 to \$100,000; 2) the phase-out threshold is increased from \$200,000 to \$400,000; and, 3) certain off-the-shelf computer software is includable as eligible property for purposes of the section 179 deduction. Maine will not conform to the bonus depreciation and section 179 expense deduction increases. As a result, the addition modification for the net effect of the bonus depreciation includes both the 30% and 50% claims. An addition modification is also enacted to add back any additional section 179 expense deduction claimed due to the increased allowances under the Jobs and Growth Tax Relief Reconciliation Act of 2003. Taxpayers will be allowed to recover these add-backs in future years. The bonus depreciation add-back required for taxable years beginning in 2002 may be recovered in equal installments over the remaining life of the asset beginning in taxable years that begin in 2004. Add-backs for both the bonus depreciation and section 179 property required in taxable years beginning in 2003, 2004 and 2005 may be recovered 5% in the year following the year the eligible property is placed in service and 95% in equal installments over the remaining life of the asset beginning 2 years following the year the property is placed in service. For purposes of section 179 property, the remaining life of the asset is determined as though section 179 of the Internal Revenue Code did not apply. See PL 2003, c. 20, Pt. EE and PL 2003, c. 479, §§ 2, 3, 5 & 6. **36 M.R.S.A. § 5122, sub-§ 1, ¶ N; sub-§ 2, ¶¶ Q, R & S; § 5200-A, sub-§ 1, ¶ N; and sub-§ 2, ¶¶ L, M, N & O.**

Deduction for state tax refunds included in federal taxable income. State income tax refunds are not taxable to Maine. Therefore, any state income tax refund included in federal taxable income may be deducted on the Maine return. If the taxpayer is unable to fully utilize the deduction during the taxable year, the excess deduction amount, under prior law, could be carried back or carried forward in the same manner as NOLs could be carried back or carried forward for federal income tax purposes. New Maine law now only allows the unused deduction amount to be carried forward for the same number of years that a federal NOL may be carried forward. Applies to tax years beginning on or after January 1, 2002. See PL 2003, c. 390, § 45. **36 M.R.S.A. § 5200-A, sub-§ 2, ¶ J.**

Income tax withholding for pass-through entities.

This law establishes a requirement for all pass-through entities doing business in Maine, beginning in 2003, to withhold income taxes from their nonresident owners. The withholding is to be based on the nonresident member's share of Maine-source income and the amount withheld is based on the highest appropriate tax rate (8.5% for individuals, trusts, estates and other pass-through entities; 8.93% for C corporations). Trusts and certain estates are included in the definition of pass-through entity for this withholding requirement. If the nonresident member's share of Maine-source income for the current or prior year is less than \$1,000, the withholding requirement is waived. Pass-through entities will normally be required to file returns and make payments quarterly. However, for calendar year 2003, only one annual return and one annual payment will be required, due January 31, 2004. Visit the Maine Revenue Services Web site (www.maine.gov/revenue) for more information or call (207) 626-8475 (option 4). See PL 2003, c. 20, Pt. AA, §§ 1 – 3. **36 M.R.S.A. §§ 5250-B, 5251, 5253.**